

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SAN JO 01001 132115Z

67

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

SCI-06 DRC-01 /179 W

----- 086834

R 132030Z MAR 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 6482

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 1001

PLEASE PASS EXIMBANK ALSO

E.O. 11652: N/A

TAGS: EFIN, CS, ENRG, ETRD

SUBJECT: TRANSFER OF MACHINERY AND PETROLEUM IMPORTS  
TO FREE EXCHANGE MARKET

REF: (A) SAN JOSE 576

(B) SAN JOSE 561

(C) SAN JOSE 0706

1. BEGIN UNCLASSIFIED: ON MARCH 12 THE CENTRAL  
BANK OFFICIALLY ANNOUNCED THE ABOLISHMENT OF ARTICLE 64  
OF THE EXCHANGE RATE REGULATIONS. ARTICLE 64 GRANTED  
IMPORTERS OF AGRICULTURAL, INDUSTRIAL, AND CONSTRUCTION  
MACHINERY, AND CERTAIN TRANSPORTATION VEHICLES, THE USE  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SAN JO 01001 132115Z

OF OFFICIAL RATE EXCHANGE (COLONES 6.68 PER DOLLAR AS

OPPOSED TO THE FREE MARKET RATE OF COLONES 8.60 PER DOLLAR). IN THE SAME NOTICE, WHICH IS BEING TRANSMITTED BY SEPARATE AIRGRAM, THE BANK DENIED THE RIGHT OF OFFICIAL RATE EXCHANGE TO IMPORTERS OF PETROLEUM AND MOST PETROLEUM PRODUCTS. IMPORTS OF DIESEL AND BUNKER C WERE EXCEPTED. THIS ANNOUNCEMENT DOES NOT APPLY TO APPLICATIONS FOR OFFICIAL EXCHANGE MADE PRIOR TO MARCH 12. END UNCLASSIFIED.

2. COMMENT: ACCORDING TO JORGE GRAU, THE DIRECTOR OF FOREIGN COMMERCE OF THE CENTRAL BANK, THE ABOLITION OF PREFERENTIAL TREATMENT FOR MACHINERY IMPORTS WAS BROUGHT ABOUT BY A RECENT, SERIOUS RUN ON RESERVES. (SEE SAN JOSE 0706). GRAU ESTIMATED THAT FOREIGN MACHINERY PURCHASES HAVE GROWN BY MORE THAN 200 PERCENT DURING JANUARY AND FEBRUARY AS COMPARED WITH THE SAME PERIOD IN 1973. GRAU CLAIMS THAT RESERVES WERE ALSO BEING HURT BY A RECENT DROP-OFF IN EXPORT EARNINGS.

3. THE BUYING SPREE--WHICH WAS ESPECIALLY HEAVY IN THE AGRICULTURAL MACHINE SECTOR--CAME ON THE HEELS OF THE GOVERNMENT ANNOUNCEMENT THAT IT PLANS TO UNIFY THE OFFICIAL AND FREE MARKET EXCHANGE RATES AT THE CURRENT HIGHER FREE MARKET LEVEL. THE CENTRAL BANK BOARD STILL HAS NOT REACHED AGREEMENT ON DETAILS OF THE PROPOSED REUNIFICATION LAW; HOWEVER, BY ADDITIONAL MOVES SUCH AS THIS ONE, THE BANK MAY PUT MUCH OF THE EXPECTED REUNIFICATION LAW INTO EFFECT BEFORE THE BILL IS SUBMITTED, MUCH LESS APPROVED BY THE ASSEMBLY. THE PRINCIPAL ITEMS REMAINING ON THE LIST THAT COULD BE SO AFFECTED ARE MEDICINES AND FOODSTUFFS.

4. THE INDUSTRIAL AND AGRICULTURAL SECTORS, WILL, PRESUMABLY, BE EXPECTED TO ABSORB THIS LOSS. UPON EXCHANGE UNIFICATION--WHICH SHOULD OCCUR BY MAY--EXPORTING FIRMS WILL MAKE UP FOR THEIR LOSS SOMEWHAT THROUGH THE HIGHER RATE RECEIVED ON THE SURRENDER OF EXCHANGE EARNINGS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SAN JO 01001 132115Z

5. THE REMOVAL OF PETROLEUM AND MOST OTHER PETROLEUM PRODUCTS FROM THE LIST OF ESSENTIAL IMPORTS SHOULD NOT HAVE AS GREAT AN EFFECT AS THE GOVERNMENT HAS BEEN COMPUTING REFINERY PURCHASES AT TML FREE MARKET RATE SINCE FEBRUARY 12 FOR THE PURPOSE OF SETTING DOMESTIC PRODUCT LEVELS (SEE SAN JOSE 561).  
THIGPEN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM PRODUCTS, CENTRAL BANK, FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974SANJO001001  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740346/aaaabrnw.tel  
**Line Count:** 114  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) SAN JOSE 576  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 SEP 2002 by boyleja>; APPROVED <10-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** TRANSFER OF MACHINERY AND PETROLEUM IMPORTS TO FREE EXCHANGE MARKET  
**TAGS:** EFIN, ENRG, ETRD, CS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005